Company number: 1122503

GOLDMAN SACHS INTERNATIONAL BANK

(unlimited company)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

24 November 2006

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REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the 52 week period ended 24 November 2006

1. Principal activities

Goldman Sachs International Bank ('the company') is involved in loan origination, secondary dealing in bank loans and related activities During the period the company opened a branch in Korea, Goldman Sachs Korea Branch ('the branch') whose principal activity is derivative trading The branch commenced operations on 1 September 2006 The company is authorised under the Financial Services and Markets Act 2000

2. Review of business and future developments

The profit and loss account for the period is set out on page 7 Trading profit was £36 million for the period (52 week period ended 25 November 2005 £30 million) The results for the company show a pre-tax profit of £24 million for the period (52 week period ended 25 November 2005 £23 million) The company has total assets of £312 million (25 November 2005 £230 million)

Business environment

As a bank, our businesses are materially affected by conditions in the financial markets and general economic conditions A favourable business environment is typically characterised by low inflation, low or declining interest rates and strong equity markets Over the business cycle, these factors provide a positive climate for our banking and trading activities Although short-term interest rates continued to rise and the yield curve continued to flatten, economic conditions remained generally favourable during 2006, as global interest rates remained at low levels, core inflation was broadly contained, global equity prices generally rose and corporate activity continued to improve

Strategy

The Goldman Sachs Group, Inc is a leading global investment banking, securities and investment management firm that provides a wide-range of services worldwide to a substantial and diversified client base that includes corporations, financial institutions, governments and high-net-worth individuals

As part of the group, the company seeks to be the leading participant in the global financial markets in which it participates

Principal risks and uncertainties

The company faces a variety of risks that are substantial and inherent in its businesses including economic and market conditions, liquidity, credit risk, competition, staffing, operational infrastructure, technology, legal and regulatory risks The key business risks affecting the company are set out below

Economic and market conditions

Our businesses are materially affected by conditions in the global financial markets and economic conditions generally and these conditions may change suddenly and dramatically Unfavourable or uncertain economic and market conditions have adverse effect on our business and profitability

Liquidity

Liquidity is essential to our businesses Our liquidity could be impaired by an inability to access secured and / or unsecured debt markets, an inability to sell assets or unforeseen outflows of cash or collateral This situation may arise due to circumstances that we may be unable to control, such as a general market disruption or an operational problem that affects third parties or us Furthermore, our ability to sell assets may be impaired if other market participants are seeking to sell similar assets at the same time

REPORT OF THE DIRECTORS (CONTINUED)

2. Review of business and future developments (continued)

Credit risk

We are exposed to the risk that third parties that owe us money, securities or other assets will not perform their obligations These parties may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons We are also subject to the risk that our rights against third parties may not be enforceable in all circumstances In addition, a deterioration in the credit quality of third parties whose securities or obligations we hold could result in losses and / or adversely affect our ability to use those securities or obligations for liquidity purposes Although we regularly review credit exposures to specific clients and counterparties and to specific industries, countries and regions that we believe may present credit concerns, default risk may arise from events or circumstances that are difficult to detect or foresee In addition, concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions, which in turn could adversely affect the company

Competition

The financial services industry is intensely competitive and we expect it to remain so We compete on the basis of a number of factors including transaction execution, our products and services, innovation, reputation and price We believe that we will continue to experience pricing pressures in the future as some of our competitors seek to increase market share by reducing prices

Over time, there has been substantial consolidation and convergence amongst companies in the financial services industry This trend toward consolidation and convergence has significantly increased the capital base and geographic reach of our competitors It has also hastened the globalisation of the securities and other financial services markets

Staffing

We also face intense competition in attracting and retaining qualified employees Our ability to continue to compete effectively in our businesses will depend upon our ability to attract new employees and retain and motivate our existing employees

Our performance is largely dependent on the talents and efforts of highly skilled individuals Competition in the financial services industry for qualified employees is intense In addition, competition with businesses outside the financial services industry, such as hedge funds, private equity funds and venture capital funds, for the most highly skilled individuals has been intense

Operational infrastructure

Failures in internal processes, people or systems could lead to impairment of our liquidity, financial loss, disruption of business, liability to clients, regulatory intervention or reputational damage For example, our businesses are highly dependent on our ability to process, on a daily basis, a large number of transactions across numerous and diverse markets in many currencies Our financial, accounting, data processing or other operating systems and facilities may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, adversely affecting our ability to process these transactions The inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses, as technology remains fundamental to our business and our industry

We also face the risk of operational failure or termination of any of the other financial intermediaries that we use to facilitate our transactions and, as our interconnectivity with our clients grows, we will increasingly face the risk of operational failure with respect to our clients' systems Any such failure or termination could adversely affect our ability to effect transactions, service our clients and manage our exposure to risk

REPORT OF THE DIRECTORS (CONTINUED)

2. Review of business and future developments (continued)

Operational infrastructure (continued)

Despite the contingency plans and facilities that we have in place, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the communities in which we are located This may include a disruption involving electrical, communications, transportation or other services used by the company or third parties with which we conduct business These disruptions may occur, for example, as a result of events that affect only the buildings of the company or such third parties, or as a result of events with a broader impact on the cities where those buildings are located

Risk management

The company's risk management objectives and policies, as well as its risks exposure, are described in note 28 of the financial statements

Future outlook

The directors consider that the period end financial position of the company was satisfactory No significant change in the company's principal business activity is expected

3. Dividends

The directors declared and paid a preference dividend of £5,113,402 during the period (52 week period ended 25 November 2005 £5,113,402) The directors do not recommend the payment of an ordinary dividend in respect of the period (2005 £Nil)

4. Post balance sheet event

The company drew down £8 million long term subordinated debt on 11 Dec 2006 from Goldman Sachs Group The funds were subsequently transferred to the branch on 12 December 2006 for additional capital requirements

5. Directors

The directors of the company during the period and as at the date of this report, together with dates of appointment and resignation where applicable, are

Name	Resigned	Appointed
E G Corrigan (Chairman)		
P C Deighton	24 February 2006	
S Davies		
R D Henderson		
D G J Paterson		
G P Earle		6 April 2006
E H Leouzon		11 July 2006
C Kengeter		2 November 2006
D D Buckley		12 February 2007

No director has, or had during the period, any interest requiring note herein

REPORT OF THE DIRECTORS (CONTINUED)

6. Disclosure of information to auditors

In the case of each of the persons who are directors of the company at the date when this report was approved

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware, and
- each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information

7. Directors' responsibilities

United Kingdom company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period In preparing those accounts, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements, and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities

8. Auditors

The company has passed Elective Resolutions in accordance with the Companies Act 1985 to dispense with the holding of annual general meetings, the laying of accounts and reports before general meetings and the annual reappointment of auditors PricewaterhouseCoopers LLP will, accordingly, continue in office as auditors of the company pursuant to Section 386 of the Companies Act 1985

9. Date of authorisation of issue

The financial statements were authorised for issue by the Board of Directors on 20 February 2007

BY ORDER OF THE BOARD

21 February 2007

J. P. Herman
Secretary

We have audited the financial statements of Goldman Sachs International Bank for the 52 week period ended 24 November 2006 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors
As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion
In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 24 November 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London 21 February 2007

PROFIT AND LOSS ACCOUNT
for the 52 week period ended 24 November 2006

	Note	52 week period ended 24 November 2006 £'000	52 week period ended 25 November 2005 £'000
Interest receivable	4	15,760	8,613
Interest payable	5	(9,615)	(3,791)
Net interest income		6,145	4,822
Trading profits	27	35,554	30,165
TOTAL OPERATING INCOME		41,699	34,987
Administrative expenses		(3,183)	(272)
Other operating charges		(14,300)	(11,518)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	24,216	23,197
Tax on profit on ordinary activities	9	(7,389)	(6,959)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE FINANCIAL PERIOD		16,827	16,238

The profit of the company is derived from continuing operations in the current and prior period

There is no difference between the profit on ordinary activities before and after taxation and the profit for the financial period as stated above and their historical cost equivalents, except as explained in note 1 (f)

The notes on pages 9 to 23 form part of these financial statements
Auditors' report – page 5

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the 52 week period ended 24 November 2006

	Note	52 week period ended 24 November 2006 US$'000	52 week period ended 25 November 2005 US$'000
Profit for the financial period		16,827	16,238
Other reserves	22	206	-
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE FINANCIAL PERIOD		17,033	16,238

The notes on pages 9 to 23 form an integral part of these financial statements
Independent Auditors' report – page 5

BALANCE SHEET
as at 24 November 2006

	Note	24 November 2006 £'000	25 November 2005 £'000
ASSETS			
Cash at bank and in hand	12	3,768	2,390
Loans and advances to banks	13	40,400	31,030
Trading inventory	27	476	-
Securities purchased from group companies under agreements to resell		248,008	191,469
Tangible fixed assets	16	819	-
Other assets	14	18,797	5,496
Total assets	11	312,268	230,385
LIABILITIES			
Customer accounts	18	79,080	51,427
Trading inventory	27	3,135	-
Other liabilities	19	44,205	25,955
Accruals and deferred income	20	1,043	118
Subordinated debt	21	55 000	35,000
		182,463	112,500
Called up share capital	23	7,049	7,049
Share premium account	22	61,361	61,361
Other reserves	22	206	-
Profit and loss account	22	61,189	49,475
Shareholders' funds	24	129,805	117,885
Total liabilities	11	312,268	230 385
Equity shareholders' funds		67,805	55,885
Non equity shareholders' funds		62,000	62,000
Shareholders' funds	24	129,805	117,885
MEMORANDUM ITEMS			
Contingent liabilities	25	262	312
Commitments	25	54,693	17,037

Approved by the Board of Directors on

21 February 2007

Director

The notes on pages 9 to 23 form part of these financial statements
Auditors' report – page 5

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

1. ACCOUNTING POLICIES

(a) **Accounting convention** These financial statements have been prepared under the historical cost convention (except as explained in note 1 (f)), the accounting policies set out below, and in accordance with the special provisions of Part VII of the Companies Act 1985 relating to banking companies, applicable accounting standards, and Statements of Recommended Accounting Practice issued by the British Bankers' Association The company has not consolidated its subsidiary undertaking as it is not material to the financial statements

(b) **Fixed asset investments** Shares in group undertakings, which are intended to be held on a continuing basis in the company's activities, are stated at cost less any provision for permanent diminution in value

(c) **Resale agreements:** Securities purchased under agreements to resell are treated as collateralised financing transactions as they meet the requirements defined in FRS 5 'Reporting the substance of transaction', and are carried at cost, the amount at which the securities were sold or acquired plus the accrued interest as specified in the respective agreements The resale agreements relate to group undertakings

(d) **Foreign currencies:** Transactions denominated in foreign currencies are translated into Sterling at rates of exchange ruling on the date the transaction occurred All other gains and losses on exchange are recognised in operating profit Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at rates of exchange ruling at the balance sheet date

(e) **Operating income:** The operating results for the period include all profits or losses arising from the trading operations of the company, including loan origination, secondary dealing in bank loans and related activities, and derivative trading Revenues are recorded on a trade date basis

(f) **Trading inventory:** Trading inventory consists of financial instruments carried at fair value or amounts that approximate fair value The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale

The fair values of the company's derivative contracts consist of over-the-counter ('OTC') derivatives The fair values of the company's OTC derivatives are valued using valuation models The company uses a variety of valuation models including the present value of known or estimated cash flows, option pricing models and option-adjusted spread models The valuation models used to derive the fair values of the company's derivatives require inputs including contractual terms, market prices, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs The selection of a model to value a derivative depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability of pricing information in the market The company generally uses similar models to value similar instruments Where possible, the company verifies the values produced by its pricing models to market transactions For derivatives that trade in liquid markets, such as generic forwards, swaps and options, model selection does not involve significant judgment because market prices are readily available For derivatives that trade in less liquid markets, model selection requires more judgment because such instruments tend to be more complex and pricing information is less available in the market As markets continue to develop and more pricing information becomes available, the company continues to review and refine the models it uses At the inception of a derivative contract, the company values the contract at the model value if the company can verify all of the significant model inputs to observable market data and verify the model to market transactions Otherwise the contract is valued at the transaction price Following inception, inputs to the valuation models are adjusted only to the extent that the company has substantive evidence to support a change When appropriate, valuations are adjusted to take account of various factors such as liquidity, bid / offer and credit considerations These adjustments are generally based on market evidence or predetermined policies In certain circumstances, such as for highly illiquid positions, management's estimates are used to determine these adjustments

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

1. *ACCOUNTING POLICIES (CONTINUED)*

(f) **Trading inventory (continued):** The gains or losses resulting from the application of this policy are taken to the profit and loss account As the trading inventory represents the trading portfolio of the company, the directors are of the opinion that it would not be appropriate to classify it as current asset investments, or to provide an analysis of such securities between those listed and unlisted

(g) **Tangible fixed assets:** Tangible fixed assets are stated at cost less accumulated depreciation and provision for any impairment Depreciation is provided on a straight-line basis over the estimated useful lives at the following annual rates

	%
Fixtures, fittings and equipment	14-33

Leasehold improvements are depreciated over the shorter of the useful economic life of the asset or the remaining life of the lease when the asset is brought into use

2. *CASHFLOW STATEMENT*

The company is a wholly owned subsidiary of The Goldman Sachs Group, Inc , and is therefore exempt from preparing a cashflow statement as required by FRS1 'Cash flow statements' as the ultimate parent undertaking's consolidated accounts are publicly available

3. *SEGMENTAL REPORTING*

No separate reportable segment has been identified The branch is regarded as insignificant to the company as a whole during the financial period under SSAP 25 'Segmental Reporting', as it contributed less than 10% to the total company's third party turnover, profits and net assets

4. *INTEREST RECEIVABLE*

	52 week period ended 24 November 2006 £'000	52 week period ended 25 November 2005 £'000
Interest on securities purchased under agreements to resell	13,585	7,647
Interest on loans to banks and customers	1,821	966
Interest on loans to group undertaking	354	-
	15,760	**8,613**

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

5. *INTEREST PAYABLE*

	52 week period ended 24 November 2006 £'000	52 week period ended 25 November 2005 £'000
Interest payable on subordinated debt to parent undertaking	2,626	2,226
Interest on loans from group undertaking	6,989	1,565
	9,615	**3,791**

6. *DIRECTORS' EMOLUMENTS*

	52 week period ended 24 November 2006 £'000	52 week period ended 25 November 2005 £'000
Aggregate emoluments	269	296
Company pension contributions to money purchase schemes	1	1
	270	**297**

	£'000	£'000
Highest paid director		
Aggregate emoluments and benefits	106	177
Company pension contributions to money purchase schemes	-	-
Defined benefit schemes		
Accrued pension at end of period	-	1

In accordance with the Companies Act 1985, directors' emoluments above represent the proportion of total emoluments paid or payable in respect of qualifying services only Directors also receive emoluments for non-qualifying services which are not required to be disclosed Seven directors are members of the defined contribution pension scheme and five directors are members of the defined benefit pension scheme

Six directors have been granted shares in respect of long term incentive schemes
Seven directors have exercised options

7. *PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION*

Profit on ordinary activities before taxation is stated after charging	52 week period ended 24 November 2006 £'000	52 week period ended 25 November 2005 £'000
Auditors' remuneration - audit services	50	35
Management fees charged by group undertakings (see below)	14,874	11,510
Staff related costs (see note 8)	1,069	-
Depreciation on tangible fixed assets	58	-
Setup cost associated with the branch (see below)	471	-

Included in the management fees charged by group undertakings is the additional branch set up cost of £766,000

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

8. *STAFF COSTS*

The average number of employees and employment costs do not include directors, as directors are employed by a group undertaking For all operations other than the branch, the charges made by this group undertaking for all the services provided (personnel and other) to the company are included in the management fees charged by group undertakings

The employees at the branch are employed directly by the branch Under Korean regulations, the branch is treated as a legal entity, hence it has the ability to enter into contractual agreements in its own right

The average number of employees of the branch, is analysed below

	For the period from commencement of the branch operations on 1 September 2006 to 24 November 2006 Number	52 week period ended 25 November 2005 Number
Trading and sales	5	-
Support, finance, operations and technology	13	-
	18	**-**

The employment costs incurred by the branch were

	52 week period ended 24 November 2006 £'000	52 week period ended 25 November 2005 £'000
Aggregate gross wages and salaries	1,029	-
Employer's National Insurance Contributions	6	-
Employer's contributions to the defined contribution plan	34	-
Total direct costs of employment	**1,069**	**-**

Pension schemes

The branch operates a defined contribution plan under Korean regulations It is required to have a severance plan within the defined contribution plan it operates The branch contributes towards the plan 1 5 times of each employee's one monthly base salary, per annum The total contribution cost for the financial period is £33,756, and the amount remains payable as at the balance sheet date is £30,688

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

9. *TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES*

(a) Analysis of charge in period:

	52 week period ended 24 November 2006 £'000	52 week period ended 25 November 2005 £'000
Current Tax		
UK corporation tax at 30% - current period	7,228	6,959
UK corporation tax under provided in previous period	65	-
Overseas taxation	945	-
Total current tax (see note (9b))	**8,238**	**6,959**
Deferred tax:		
Other timing differences (see note 15)	(849)	-
Tax charge on profit on ordinary activities	**7,389**	**6,959**

(b) Factors affecting tax charge for the period

The current tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%) The differences are explained below

	52 week period ended 24 November 2006 £'000	52 week period ended 25 November 2005 £'000
Profit on ordinary activities before taxation	24,216	23,197
Profit on ordinary activities multiplied by standard rate in the UK (30%)	7,265	6,959
Expenses not deductible for tax purposes	59	-
Adjustment in respect of foreign taxation	801	-
Adjustment in respect of prior period	65	-
Other timing differences	48	-
Current tax charge for the period	**8,238**	**6,959**

10. *DIVIDENDS PAID*

	52 week period ended 24 November 2006 £'000	52 week period ended 25 November 2005 £'000
Dividend on non-equity shares		
£0 01 fixed rate preference shares	**5,113**	**5,113**

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

11. *ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES*

	24 November 2006 £'000	25 November 2005 £'000
Assets:		
Denominated in sterling	176,851	173,430
Denominated in other currencies	135,417	56,955
	312,268	**230,385**
Liabilities and shareholders equity:		
Denominated in sterling	181,807	173,877
Denominated in other currencies	130,461	56,508
	312,268	**230,385**

12. *CASH AT BANK AND IN HAND*

	24 November 2006 £'000	25 November 2005 £'000
Cash at bank and in hand	**3,768**	**2,390**

13. *LOANS AND ADVANCES TO BANKS*

	24 November 2006 £'000	25 November 2005 £'000
Repayable in not more than three months	**40,400**	**31,030**

14. *OTHER ASSETS*

	24 November 2006 £'000	25 November 2005 £'000
Amounts due from group undertakings (see (a) below)	17,086	5,123
Amounts due from customers	720	373
Deferred tax (see note 15)	849	-
Other assets	142	-
	18,797	**5,496**

(a) Amounts due from group undertakings include derivative contracts held with intercompany counterparties to economically hedge against trading derivative positions held with third parties

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

15. *DEFERRED TAX*

The deferred tax balance comprises:	24 November 2006 £'000	25 November 2005 £'000
Timing differences in respect of foreign taxation	801	-
Other timing differences	48	-
	849	-
The movements in the deferred tax balance were as follows		
25 November 2005	-	-
Transfer to the profit and loss account for the period	849	-
24 November 2006	**849**	**-**

The directors consider that future profits will be available against which the deferred tax asset can be recovered

16. *TANGIBLE FIXED ASSETS*

The movements in tangible fixed assets during the period were as follows

	Leasehold improvements £'000	Fixtures fittings & equipment £'000	Total £'000
COST			
At 25 November 2005	-	-	-
Additions	498	379	877
Disposals	-	-	-
At 24 November 2006	**498**	**379**	**877**
DEPRECIATION			
At 25 November 2005	-	-	-
Charge for period (note 7)	32	26	58
Disposals	-	-	-
At 24 November 2006	**32**	**26**	**58**
NET BOOK VALUE			
At 24 November 2006	**466**	**353**	**819**
At 25 November 2005	**-**	-	-

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

17. *INVESTMENT IN SUBSIDIARY UNDERTAKINGS*

The company has an investment in the following subsidiary undertaking which is wholly-owned and registered in England and Wales

	24 November 2006 £	25 November 2005 £
Restamove Limited (non-trading)		
- Ordinary shares of £1 at cost	2	2
	2	2

The directors consider that the value of the investment in the subsidiary undertaking is not less than its book value

18. *CUSTOMER ACCOUNTS*

	24 November 2006 £'000	25 November 2005 £'000
Customer accounts comprise the following repayable on demand		
Demand deposits	1,337	90
Amounts due to group undertakings	77,743	51,337
	79,080	**51,427**

Amounts due to group undertakings include amounts deposited with the company to collateralise fully the undrawn commitments which have been sub-participated

19. *OTHER LIABILITIES*

	24 November 2006 £'000	25 November 2005 £'000
Amounts due to group undertakings	25,590	21,357
Corporation tax payable	3,080	4,598
Short term unsecured borrowings	15,535	-
	44,205	**25,955**

20. *ACCRUALS AND DEFERRED INCOME*

	24 November 2006 £'000	25 November 2005 £'000
Other accruals and deferred income	**1,043**	**118**

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

21. *SUBORDINATED DEBT*

Subordinated debt comprises loan capital from the ultimate parent undertaking of £55,000,000 (25 November 2005 £35,000,000) which matures on 29 June 2014 Interest is payable on the loan capital at a margin over LIBOR The rights of the lender are subordinated to the claims of the senior creditors

22. *SHARE PREMIUM ACCOUNT AND RESERVES*

	Share Premium Account £'000	Other Reserve Account £'000	Profit and Loss Account £'000
25 November 2005	61,361	-	49,475
Profit for the period	-	-	16,827
Payment of preference dividend	-	-	(5,113)
Other movement during the period	-	206	-
24 November 2006	61,361	206	61,189

Other reserve relates to the translation differences arising on consolidation of the branch whose functional currency is Korean Won

23. *SHARE CAPITAL*

	No.	24 November 2006 £'000	No.	25 November 2005 £'000
Authorised				
Ordinary Shares of £1 each	45,595,600	45,596	45,595,600	45,596
Preference shares of £0 01 each	100,000,000	1,000	100,000,000	1,000
		46,596		46,596
Allotted, called up and fully paid				
Ordinary Shares of £1 each	6,410,256	6,410	6,410,256	6,410
Preference shares of £0 01 each	63,917,526	639	63,917,526	639
		7,049		7,049

The preference shares carry limited voting rights and on a winding up the holders have a preferential right to return of capital together with any premium
The company's preference shares carry a fixed non-cumulative preferential dividend at the rate of 8 pence per share per annum

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

24. *RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS*

	52 week period ended 24 November 2006 £'000	52 week period ended 25 November 2005 £'000
Profit on ordinary activities after taxation	16,827	16,238
Payment of non-cumulative preference dividend (see note 10)	(5,113)	(5,113)
Movement in other reserve	206	-
Net increase in shareholders' funds	11,920	11,125
Opening shareholders' funds	117,885	106,760
Closing shareholders' funds	129,805	117,885

25. *FINANCIAL COMMITMENTS AND CONTINGENCIES*

Commitments

	24 November 2006 £'000	25 November 2005 £'000
Undrawn loan commitments	52,685	16,315
Letters of credit	2,008	722
	54,693	**17,037**

These commitments are sub-participated to third party institutions Amounts sub-participated to group undertakings are not included as these companies have deposited cash with the company to collateralise the undrawn commitments fully (note 18)

Contingent Liabilities

Arising from the sale of a loan portfolio in the ordinary course of business, the company has a contingent liability to third party borrowers totalling £262,473 (25 November 2005 £312,117) This relates to deposits that the borrowers were required to place with the loan originator as a condition of them being granted a loan and which the company may be required to repay if certain conditions are met by such borrowers
All costs arising from the contingent liability are fully reimbursable to the company from a related party

26. *RELATED PARTIES*

Under the terms of FRS8 'Related Party Disclosures', the company is exempt from disclosing transactions with companies 90% or more controlled within the same group, as the consolidated financial statements in which the company is included are publicly available

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

27. *DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS*

Trading Activities

The company acts as a lender of record on loan positions arising from originations, secondary dealing in bank loans and related activities The company also trades in derivative products including foreign currency forward, interest rate and foreign currency swaps

Trading profits are analysed as follows

	52 week period ended 24 November 2006 £'000	52 week period ended 25 November 2005 £'000
Loan origination, secondary trading and related activities	33,624	30,165
Derivative trading	1,930	-
	35,554	**30,165**

Risk Management

The company seeks to measure, monitor and control its risk exposure through a variety of separate but complementary financial, credit, operational and legal reporting systems

Interest rate and foreign exchange exposure is managed so as to keep the company's exposure to interest rate and foreign exchange risk within limits set by management The limit structure also includes exposures to counterparties both on an individual and aggregate basis

Interest Rate Risk

The table below summarises the company's period-end trading, non-trading and loan book into time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date

	Not more than three months £'000	More than three months but not more than six months £'000	More than six months but not more than one year £'000	More than one year but not more than five years £'000	More than five years £'000	Non-interest bearing £'000	Total £'000
As at 24 November 2006							
Assets:							
Cash and balances at central banks	3,768	-	-	-	-	-	3,768
Loans and advances to banks	40,400	-	-	-	-	-	40,400
Securities purchased under agreements to resell	248,008	-	-	-	-	-	248,008
Trading inventory	-		-	-	-	476	476
Tangible fixed assets	-					819	819
Other assets	-	-	-	-	-	18,797	18,797
	292,176	-	-	-	-	20,092	312,268

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

27. *DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (CONTINUED)*

	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	More than five years	Non-interest bearing	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Liabilities:							
Customer accounts	(79,080)	-	-	-	-	-	(79,080)
Accruals and deferred income	(1,043)	-	-	-	-	-	(1,043)
Trading inventory	-	-	-	-	-	(3,135)	(3,135)
Other liabilities	(15,535)	-	-	-	-	(28,670)	(44,205)
Subordinated debt	-	-	-	-	(55,000)	-	(55,000)
Shareholders' funds	-	-	-	-	-	(129,805)	(129,805)
	(95,658)	-	-	-	(55,000)	(161,610)	(312,268)
Interest sensitivity gap	196,518	-	-	-	(55,000)	(141,518)	-
Cumulative interest sensitivity gap	196,518	196,518	196,518	196,518	141,518	-	-

	Not more than three months £'000	More than three months but not more than six months £'000	More than six months but not more than one year £'000	More than one year but not more than five years £'000	More than five years £'000	Non-interest bearing £'000	Total £'000
As at 25 November 2005							
Assets·							
Cash and balances at central banks	2,390	-	-	-	-	-	2,390
Loans and advances to banks	31,030	-	-	-	-	-	31,030
Securities purchased under agreements to resell	191,469	-	-	-	-	-	191,469
Other assets	-	-	-	-	-	5,496	5,496
	224,889					5,496	230,385
Liabilities.							
Customer accounts	(51,427)	-	-	-	-	-	(51,427)
Subordinated debt	-	-	(35,000)	-	-	-	(35,000)
Other liabilities	-	-	-	-	-	(26,073)	(26,073)
Shareholders' funds	-	-	-	-	-	(117,885)	(117,885)
	(51,427)	-	(35,000)	-	-	(143,958)	(230,385)
Interest sensitivity gap	173,462	-	(35,000)	-	-	(138,462)	-
Cumulative interest sensitivity gap	173,462	173,462	138,462	138,462	138,462	-	-

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

27. *DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (CONTINUED)*

Currency Risk

The tables below show the company's transactional currency exposures (all trading and non-trading book)

	24 November 2006				
	Net foreign currency monetary assets / (liabilities) in £'000				
Functional currency of operation	**US dollar**	**Yen**	**Euro**	**Other**	**Total**
Sterling	(11,985)	5	661	31,628	20,309
Total	(11,985)	5	661	31,628	20,309

	25 November 2005				
	Net foreign currency monetary assets / (liabilities) in £'000				
Functional currency of operation	**US dollar**	**Yen**	**Euro**	**Other**	**Total**
Sterling	141	9	255	43	448
Total	141	9	225	43	448

28. *FINANCIAL RISK MANAGEMENT*

Normal trading activities expose the company to market, credit, and liquidity risk These activities include taking principal loan positions in the Company and derivative positions in the branch The risks, described below, are managed in accordance with established risk management policies and procedures

The Goldman Sachs Group, Inc manages market, credit and liquidity risk on a consistent basis firmwide Consequently, the company, as part of a global group, adheres to global risk management policies and procedures

We seek to monitor and control our risk exposure through a variety of separate, but complementary, financial, credit, operational, compliance and legal reporting systems In addition, a number of global, regional and entity committees are responsible for monitoring risk exposures and for general oversight of our risk management process These committees meet regularly and consist of senior members of both our revenue-producing units and departments that are independent of our revenue-producing units In addition to the committees, functions that are independent of the revenue-producing units, such as Compliance, Finance, Legal, Management Controls (Internal Audit) and Operations, perform global risk management functions, which include monitoring, analysing and evaluating risk

(a) Market risk

The potential for changes in the market value of our trading and investing positions is referred to as market risk Such positions result from market making, specialist and proprietary trading, investing and underwriting activities Categories of market risk include exposures to interest rates and currency rates A description of each market risk category is set forth below

- interest rate risks primarily result from exposures to changes in the level, slope and curvature of the yield curve, the volatility of interest rates, mortgage prepayment speeds and credit spreads,

- currency rate risks result from exposures to changes in spot prices, forward prices and volatilities of currency rates

28. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

(a) Market risk (continued)

We seek to manage these firmwide risks through diversifying exposures, controlling position sizes and establishing hedges in related securities or derivatives The ability to manage an exposure may, however, be limited by adverse changes in the liquidity of the security or the related hedge instrument and in the correlation of price movements between the security and the related hedge instrument

Firmwide market risk limits are monitored on a daily basis by the Finance Division and are reviewed regularly by the appropriate risk committee

In addition to applying business judgement, senior management uses a number of quantitative tools to manage our exposure to market risk These tools include

- risk limits based on a summary measure of market risk exposure referred to as Value-at-Risk ('VaR') which are updated and monitored on a daily basis VaR represents the potential loss in value of the company's trading positions due to adverse market movements over a defined time horizon with respect to a specified confidence level,

- scenario analyses, stress tests and other analytical tools that measure the potential effects on our trading net revenues of various market events, including, but not limited to, a large widening of credit spreads, a substantial decline in equity markets and significant moves in selected emerging markets, and

- inventory positions limits for certain business units (determined at a firmwide level)

(b) Credit risk

Credit risk represents the loss that we would incur if a counterparty or an issuer of securities or other instruments we hold fails to perform under its contractual obligations to us or upon a deterioration in the credit quality of third parties whose securities or obligations we hold

To reduce our credit exposures, we seek to enter into netting agreements with counterparties that permit us to offset receivables and payables with such counterparties In addition, we attempt to further reduce credit risk with certain counterparties by

- entering into agreements that enable us to obtain collateral from a counterparty or to terminate or reset the terms of the transactions after specified time periods or upon the occurrence of credit related events,

- seeking third-party guarantees of the counterparty's obligations, and

- through the use of credit derivatives and other structures and techniques

For most businesses, counterparty credit limits are established by the Credit Department, which is independent of the revenue-producing departments, based on guidelines set by the Firmwide Risk Committee and the Credit Policy Committee For most products, we measure and limit credit exposures by reference to both current and potential exposure We typically measure potential exposure based on projected worst case market movements over the life of the transactions For collateralised transactions, we also evaluate potential exposure over a shorter collection period and give effect to the value of the collateral received We further seek to measure credit exposure through the use of scenario analyses, stress tests and other quantitative tools Our global credit management systems monitor current and potential credit exposure to individual counterparties and on an aggregate basis to counterparties and their affiliates These systems also provide management, including the Firmwide Risk and Credit Policy Committees with information, regarding overall credit risk by product, industry sector, country and region

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

28. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

(c) Liquidity risk

Liquidity is of critical importance to companies in the financial services sector Accordingly, the company has in place a comprehensive set of liquidity and funding policies that are intended to maintain significant flexibility to address both firmwide-specific and broader industry or market liquidity events Our principal objective is to be able to fund the company and to enable our core business to continue to generate revenue under adverse circumstances

Management has implemented a number of policies according to the following liquidity risk management framework

- excess liquidity – maintain substantial excess liquidity to meet a broad range of potential cash outflows in a stressed environment including financing obligations,
- asset liability management – ensure that we fund our assets with appropriate financing, and
- crisis planning – ensure all funding and liquidity management is based on stress-scenario planning and feeds into our liquidity crisis plan

29. *ULTIMATE PARENT UNDERTAKING*

The immediate parent undertaking and the parent company of the smallest group for which consolidated financial statements are prepared is Goldman Sachs Group Holdings (U K), a company registered in England and Wales

The ultimate parent undertaking and the parent company of the largest group for which consolidated financial statements are prepared is The Goldman Sachs Group, Inc , a company incorporated in the United States of America, with its principal place of business at 85 Broad Street, New York, NY 10004, United States of America